



Town of Arlington, Massachusetts
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Redevelopment Board Minutes 06/20/2011

Minutes of Monday, June 20, 2011, 7:00pm
Arlington Redevelopment Board
2nd Floor Conference Room, Town Hall Annex
Approved : 9/12/11

Present: ~Michael Cayer, Ted Fields, Bruce Fitzsimmons (Chairman), Andy West, Christine Scypinski.
Also present: ~Carol Kowalski, Secretary ex Officio, Laura Wiener, Housing Director/Senior Planner, Michael Jacobs, MHJ Associates, Selectmen Chair Clarissa Rowe, and members of the public
Hearing, re-open Special Permit, 23 Massachusetts Avenue, restaurant use
Mr. Fitzsimmons opened the meeting with an overview of the agenda items, then re-opened the permit for docket 2933, 25-29 Massachusetts Avenue. Ms. Kowalski explained that a special condition prohibits restaurant use, although the zoning district allows restaurant use by-right. The store has been vacant for several years, and a quality restaurant next to the hotel would reinforce each business, and would make sense as the Scenic Byway gateway would be at the Mass Ave intersection with Route 16. Helene Salzburg, 27 Henderson Street commented that the neighbors had petitioned against a restaurant because of existing concern over rats coming from Alewife Brook. She also expressed concern about parking, citing all day parking on Henderson Street, possibly by commuters from outside the neighborhood. She commented on sewer system surcharging during extreme weather, and concluded saying she would rather see a professional building than a restaurant use, given the concern over rats.

Susi Hoglund, 17 Henderson Street commented that in addition to the parking and trash concern, she was concerned about a restaurant kitchen being vented into the neighborhood, citing a Capitol Square food establishment emitting greasy smoke. Residential property owners like Ms. Hoglund enjoy being outside, she said, whereas hotel patrons mostly stay indoors.

Mr. Fitzsimmons asked for more information on whether parking requirements could be met, and what restrictions could be put in place to guide future development. Mr. West said he would not want to close out options, and would like to look at a site plan. Board members expressed concerns about fast food and drive-through uses. Ms. Kowalski would also ask Director of Inspectional Services Mike Byrne whether by-right restaurant use and special permit both govern the site.

Symmes, Michael Jacobs, MHJ Associates analysis, Executive Session
Mr. Fitzsimmons gave an overview of the ARB's process for qualitative and quantitative analysis of developers' proposals for the Symmes site, including a review of the developers' pro formas by consultant Michael Jacobs. Mr. Fitzsimmons said that the Board's decision on the report would be expected June 27.
Janice Brodman asked whether the ARB had shared any of the developer plans with the public or with the Symmes Neighborhood Advisory Committee, and whether that was possible. Mr. Fitzsimmons replied that the pro formas were submitted with the expectation that they could be kept in confidence based on allowed exemptions to the public records law. Mr. O'Brien commented that three of the developers had met with SNAC and had discussed their programs with SNAC. Vicki Ford asked if there would be opportunities for SNAC to have input. Ms. Kowalski responded that there had been a Symmes public input session the week before, June 13.

The Chairman recognized Clarissa Rowe, Chair of the Board of Selectmen, who commented that the Board of Selectmen supports the ARB in their process to analyze the developers' proposals for Symmes, and thanked the ARB, staff, and consultant Michael Jacobs.

EXECUTIVE SESSION, Roll Call Vote
Mr. Fitzsimmons then stated that the Board needed to discuss the purchase, exchange, lease or value of real property, and that doing so in an open session may have a detrimental effect on the negotiating position of the public body, and that the Board would enter executive session.

On a motion by Mr. Fields seconded by Mr. Cayer, to go into EXECUTIVE SESSION, Mr. Fitzsimmons took a roll-call vote at 8:03pm:
Roll call vote: Mr. West: yes; Mr. Fields: yes; Mr. Cayer: yes; Ms. Scypinski: yes; Mr. Fitzsimmons: yes.

The Executive Session ended on a roll call vote, and the open session resumed.

23 Maple Street tenant at will
Mr. Fields moved to authorize Ms. Kowalski to extend tenancy at will to the tenants at 23 Maple Street until the request for proposals process is complete for the new lease. Mr. Cayer seconded and all voted in favor.
The meeting then adjourned at 11:37pm on a motion by Mr. Cayer seconded by Mr. Fields.

Respectfully submitted,
Carol Kowalski
Secretary ex Officio



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Redevelopment Board Minutes 06/20/2011 Executive Session

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Present: Michael Cayer, Ted Fields, Bruce Fitzsimmons (Chairman), Andy West, Christine Scypinski,
Also present: ~Carol Kowalski, Secretary ex Officio, Laura Wiener, Housing Director/Senior Planner, Michael Jacobs,
MHJ Associates, Selectmen Chair Clarissa Rowe, Brian Sullivan, Town Manager.

Having taken a roll call vote in open session, Mr. Fitzsimmons opened the Executive Session. The Board discussed whether to eliminate any developers from consideration based on information submitted to date. Mr. Jacobs explained that he was analyzing acquisition costs, construction costs, soft costs, affordable housing and condominium conversion.

Mr. Jacobs said that the developers would need to satisfy the lien-holders. Mr. Jacobs briefly discussed the soft-costs for each developer. He also discussed the market rents and affordable rents. He asked the Board to consider if the "work force housing" units (moderate income, as opposed to affordable to low-income) were eliminated, what would the Town get as a municipal or public benefit.

He commented that the Upton and JAG unit mix looked different than what was approved.

Mr. Jacobs stated that he was concerned about the ability to rent studio units, saying they are hard to rent, let alone to sell. Arlington typically sells a three bedroom product.

Mr. Jacobs said his biggest concern on the rental units was operating expenses. Upton sent a revised operating budget with tax revenue expectations. Other costs in Upton costs appear to be low, although three to five percent is a typical management fee and Upton proposes 10%.

Mr. Jacobs then discussed finance and equity and stated that a letter of interest is all that could be expected at this point. He looked at the internal rate of return ratio, with safe investments, like Treasury Bills, at 2.5, and 3% would be slightly more aggressive. The proposals come in at 6.78 and 6.75. Investors currently want 7% net operating income (after expenses and vacancies-debt) to total cost of project. As rental projects, five years out, these appear to be strong projects.

Ms. Rowe observed that JAG provided more sales information than Upton. Mr. Jacobs replied that it is hard to find comp sales of townhouses (condos) in a rental project. He was a little impressed that JAG had done condo conversions. Mr. Cayer commented that Berkshire, a key part of the Upton team, are apartment folks so equity partners for both developers are rental oriented and very similar. Mr. Jacobs pointed out that Ackridge is an office equity investor. Mr. Fitzsimmons questioned the condo conversion. Mr. Jacobs replied that they would hire a conversion agent. The issue will be transition of rental rate during conversion.

Mr. Jacobs said he discounts all equity letters, since they mean little until there is an actual agreement with an equity partner. Mr. Jacobs acknowledged that all real estate development deals are complex. Mr. West asked if Upton could make the project work without assisted living. Mr. Jacobs said it could not work with the townhouses on the lower site, given the assumption that Upton requires the sale of the parcel to fund acquisition costs.

The Medical Office Building site was discussed, and the affordable housing payment.

MOB site: Ms. Kowalski explained the Town's financing and the affordable housing trust payment. Mr. Fitzsimmons noted that JAG's right of first refusal on the MOB site ties our hands. Even if the Town were to put up housing, we'd compete with the developer across the street. Mr. O'Brien stated that right of first offer is in the LDA now, not right of first refusal.

Mr. Jacobs then turned to the municipal commitments. He advised the Board to ask DPW and the developers to pin down inflow and infiltration fees. The Board should find out who would be building the system and Upton's expected costs. Mr. Cayer stated that all parties have had an opportunity to provide additional information. He expressed concern regarding the little information that the Board has on the assisted living piece. Mr. Jacobs commented that Upton's "credit to purchase price" was not clear. Mr. West commented that the assisted living is such an important component—but that it needs to be clarified.

Mr. West asked Mr. Jacobs how the Board should evaluate the teams. Mr. Jacobs said he reviewed JPI and Jake Upton a few years ago. What threw him today he said was that operating budgets by both seemed disingenuous. JPI had lower acquisition costs but other aspects concerned him. Upton has done condos from scratch and the Town's goal is successful condo. He is concerned about how Upton's pro forma could change though. However, Upton has local trust and respect.

Mr. Sullivan reviewed proposed provisions to add to the LDA that if tax revenue is less than \$600,000 the developer would be required to make additional payments and a condo incentive payment. Also if they don't convert by a certain time, pay the Town more.

The Board members then stated their order of hierarchy for each factor of concern:
Mr. Fields: financial risk, construction timeframe, minimum LDA changes, site design
Mr. Cayer: financial risk, minimum LDA changes, construction timeframe, experience
Mr. West: minimum LDA changes, financial risk, financial return to the Town, site design, teams
Ms. Scypinski: financial risk, teams, minimum LDA changes
Mr. Fitzsimmons: minimum LDA changes, financial return to the Town, site design, risk, condo conversion, special permit

Top concerns, then, were LDA changes and financial risk. The Board then agreed that the tax floor minimum payments of \$600,000, incentive/penalty on condo conversion, no profit sharing, not conceding on transfer fee, affordable housing would all be communicated to the developers.

Mr. Fields then moved to adjourn the executive session. Ms. Scypinski seconded and there was a roll call vote: Mr. West: yes. Ms. Scypinski: yes. Mr. Cayer: yes. Mr. Fields: yes, Mr. Fitzsimmons: yes. The meeting adjourned at 11:37pm.

Respectfully submitted,
Carol Kowalski
Secretary ex Officio